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China, Peoples Republic of

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Report Highlights:

Post's forecast of China's wheat imports for MY05/06 is revised to 4 MMT, 2 MMT lower than post's February forecast, because of anticipated increase in wheat output in 2005. General conditions for winter wheat crop are normal by April. The government's favorable policies will remain in place in 2005 with some programs becoming more beneficial for grain production in 2005 and years to come. Post's estimate of China's corn exports for MY04/05 is 6 mmt, unchanged from the previous update.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Beijing [CH1]
[CH]

WHEAT

Post's forecast of China's wheat imports for MY05/06 is revised to 4 MMT, 2 MMT lower than post's February forecast, because of anticipated increase in wheat output in 2005. General conditions for the winter wheat crop are normal as of April.

According to an April survey by China's National Statistical Bureau, grain harvested area in calendar year 2005 will reach 1.558 billion mu (15Mu=1Ha), 2.3 percent above last year. So-called "summer grain" harvested area (winter wheat, barley, tubers and pulses and some corn to be harvested in summer) will rise 4.8 percent to 395 million mu, ending a seven straight year decline. Winter wheat acreage accounts for 80 percent of China's total summer grain harvest. Based on the NSB survey, post keeps its forecast on total wheat acreage at 22.78 million ha in MY05/06, unchanged from the previous estimate.

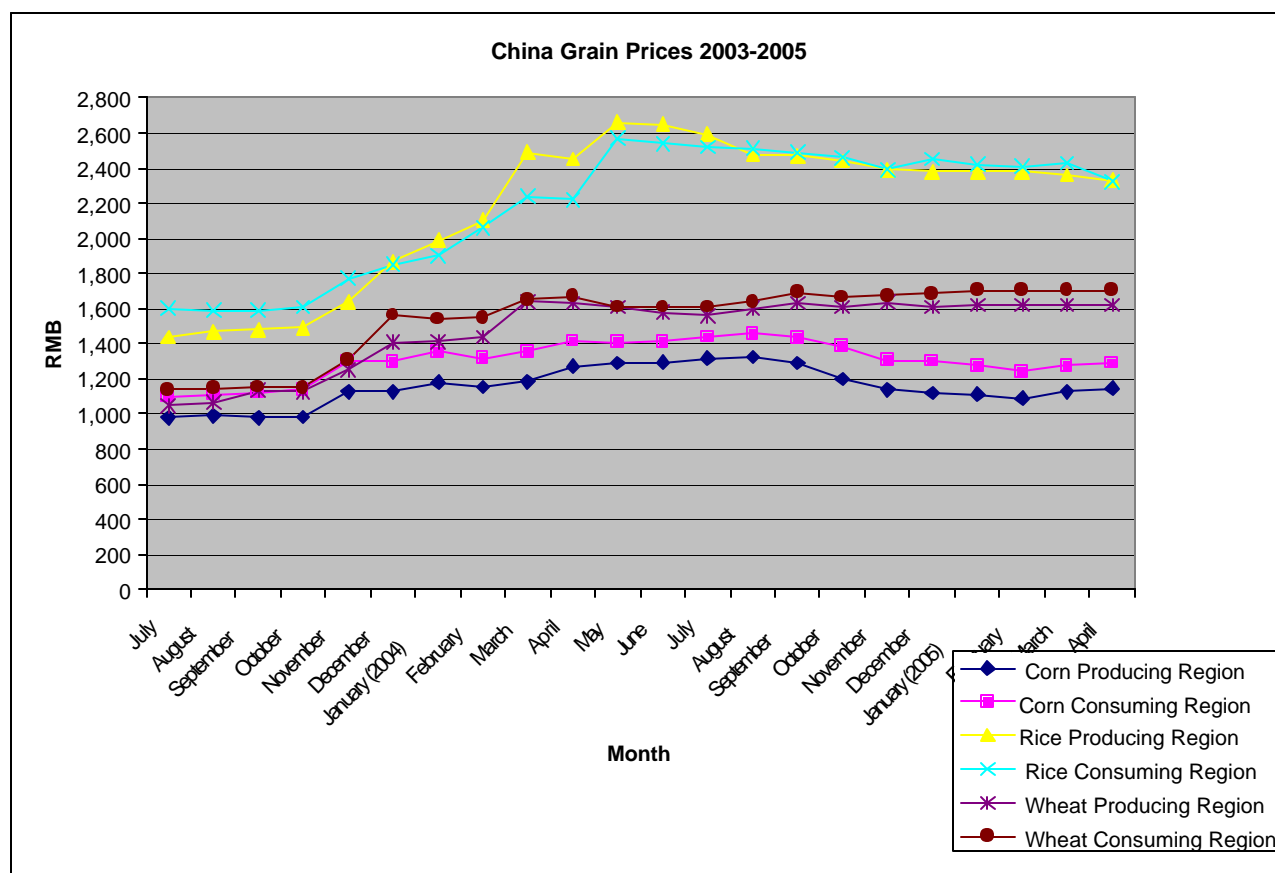
Currently, winter wheat crop conditions are generally normal and moisture level is adequate in major winter wheat regions, according to Ministry of Agriculture. MoA sources said that a more accurate estimate on crop conditions could be available by mid May, a critical growth period for winter wheat before the June harvest.

Government policies to encourage grain production introduced in 2004, including direct payments, agricultural tax removal, floor price (on rice only), subsidy on seed and machinery, will remain in place in 2005; some programs will receive more funding. For example, according to MoA, 100 million mu of wheat area (or near 30 percent of China's total wheat area) will receive RMB 10/mu subsidy for quality seed in 2005. The seed subsidy goes to government designated seed companies, who then are supposed to sell the seed to farmers at discount price. In 2004, only 10 million mu of wheat was covered by the program. This subsidy might not contribute much to farmer's net income. If well implemented, however, it could play a role in improving the wheat quality in China. According to the program, the subsidy will focus on either high gluten or low gluten varieties.

A survey by NSB shows that in 2004, wheat farmers saw the highest annual increase in net income from wheat comparing with rice, corn and soybeans.

Growth in Average Net Income from Grain Production in 2004					
Excludes labor cost	Average for Grains	Wheat	Corn	Rice	Soy Bean
Net Income in RMB/Mu	270.1	199.1	321.6	330.6	229.2
Increase over 2003	42%	65.4%	55.2%	53.4%	8.0%
Source: National Statistical Bureau					

Industry sources estimate that wheat stocks are still sufficient for the current marketing year. In late April, the State Administration of Grain issued a notice cautioning the state grain companies to slow down their wheat rotation to prevent the wheat price from falling and hurting the farmers. Wheat price has been flat in recent months.



Source: China Grain & Oil Information Center

CORN

Post's estimate of China's corn exports for MY04/05 is 6 mmt, unchanged from previous update. Customs data shows that China exported 1.1 MMT of corn in March. This was a surprise, given China's current loading capacity. Trade sources believe, however, that some of the volume was actually lifted in February, but not recorded by the customs system until later because of the Chinese New Year holiday. Trade sources report that the shipping plans are still on track despite some quality complaints by the importers, such as broken kernels and foreign matter.

China: Corn Exports by Month Oct.-March MY04/05 (in 1,000 MT)						
Oct 2004	Nov 2004	Dec 2004	Jan 2005	Feb 2005	Mar 2005	Total
49	43	343	485	120	1,104	2,144
China Customs, HS Codes: 100590, 100510						

PS & D tables

Country	China, Peoples Republic of						
Commodity	Wheat				(1000 HA)(1000 MT)		
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		07-2003		07-2004		07-2005	MM/YYYY
Area Harvested	22000	22000	21750	21750	0	22780	(1000 HA)
Beginning Stocks	60378	60378	43293	44943	38793	41443	(1000 MT)
Production	86490	86490	91000	91000	0	92000	(1000 MT)
TOTAL Mkt. Yr. Imports	3749	3749	7500	7500	0	4000	(1000 MT)
Jul-Jun Imports	3749	3749	7500	7500	0	4000	(1000 MT)
Jul-Jun Import U.S.	1466	1466	0	2500	0	1500	(1000 MT)
TOTAL SUPPLY	150617	150617	141793	143443	38793	137443	(1000 MT)
TOTAL Mkt. Yr. Exports	2824	2824	1000	700	0	500	(1000 MT)
Jul-Jun Exports	2824	2824	1000	700	0	500	(1000 MT)
Feed Dom. Consumption	6000	4000	4000	2500	0	2000	(1000 MT)
TOTAL Dom. Consumption	104500	102850	102000	101300	0	100700	(1000 MT)
Ending Stocks	43293	44943	38793	41443	0	36243	(1000 MT)
TOTAL DISTRIBUTION	150617	150617	141793	143443	0	137443	(1000 MT)

Average corn wholesale price in production region and consuming region

China: Average Corn Wholesale Prices		
(Renminbi Per Metric Ton, USD 1.00 = RMB 8.27)		
	Producing Region/1	Consuming Region/2
January (2004)	1,178	1,355
February	1,153	1,318
March	1,185	1,355
April	1,270	1,415
May	1,290	1,408
June	1,293	1,413
July	1,315	1,440
August	1,325	1,460
September	1,290	1,435
October	1,200	1,385
November	1,140	1,305
December	1,120	1,300
January (2005)	1,113	1,275
February	1,088	1,243
March	1,125	1,273
April	1,148	1,290
/1 Heilongjiang, Jilin, Shandong, Henan		
/2 Tianjin, Fujian, Jiangxi, Hubei		
Source: China National Grain and Oils Information Center		

Average Rice Retail price in production region and consuming region

China: Average Retail Rice Prices		
(Renminbi Per Metric Ton, USD 1.00 = RMB 8.27)		
	Milled Indica	Milled Indica
National Average	Grade 1	Grade 1
	Producing Region/1	Consuming Region/2
January (2004)	1,990	1,900
February	2,100	2,060
March	2,490	2,240
April	2,450	2,220
May	2,660	2,570

June	2,650	2,540
July	2,590	2,520
August	2,480	2,510
September	2,470	2,490
October	2,440	2,460
November	2,390	2,390
December	2,380	2,450
January (2005)	2,380	2,420
February	2,380	2,410
March	2,360	2,430
April	2,330	2,320
/1 Zhejiang, Anhui, Fujian		
/2 Guangdong, Guangxi		
Source: China National Grain and Oils Information Center		

Average wheat wholesale price in production region and consuming region

China: Average Wheat(Grade2) Wholesale Price		
(Renminbi Per Metric Ton, USD 1.00 = RMB 8.27)		
National Average	Producing Region/1	Consuming Region/2
January (2004)	1,410	1,540
February	1,440	1,550
March	1,640	1,650
April	1,630	1,670
May	1,610	1,610
June	1,580	1,610
July	1,560	1,610
August	1,600	1,640
September	1,630	1,690
October	1,610	1,665
November	1,635	1,675
December	1,610	1,685
January(2005)	1,620	1,705

February	1,620	1,705
March	1,620	1,705
April	1,620	1,705
/1 Heilongjiang, Shandong, Henan, Shanxi		
/2 Beijing, Tianjin, Fujian		
Source: China National Grain and Oils Information Center		